

# Georgia Department of Community Affairs CDBG Economic Development



**Annual Competition and Set-Aside Programs**  
**CDBG: EIP, RDF, and Capitalized RLF**



December 12, 2018

**DCA Staff**

**Employment Incentive Program (EIP)**  
**and**  
**Redevelopment Fund (RDF)**  
**Threshold Based “Competition” Grants**

# Set-Asides Overview

**Local governments can implement a broad range of activities as long as they further the National Objectives of the Act.**

**Three National Objectives are:**

- Majority benefit to low- and moderate-income persons through services and job creation;
- Prevention or elimination of slum and blight; and
- Immediate Threat & Danger.

# Available Funding: Georgia

## CDBG Funds from U.S. Housing and Urban Development (HUD)

<b>HUD Authorization</b>	<b>\$40,937,567</b>
<b>EIP</b>	<b>\$5 million set-aside</b>
<b>RDF</b>	<b>\$3 million set-aside</b>
<b>Immediate Threat</b>	<b>\$400,000 set-aside</b>

# Features of Economic Development Programs

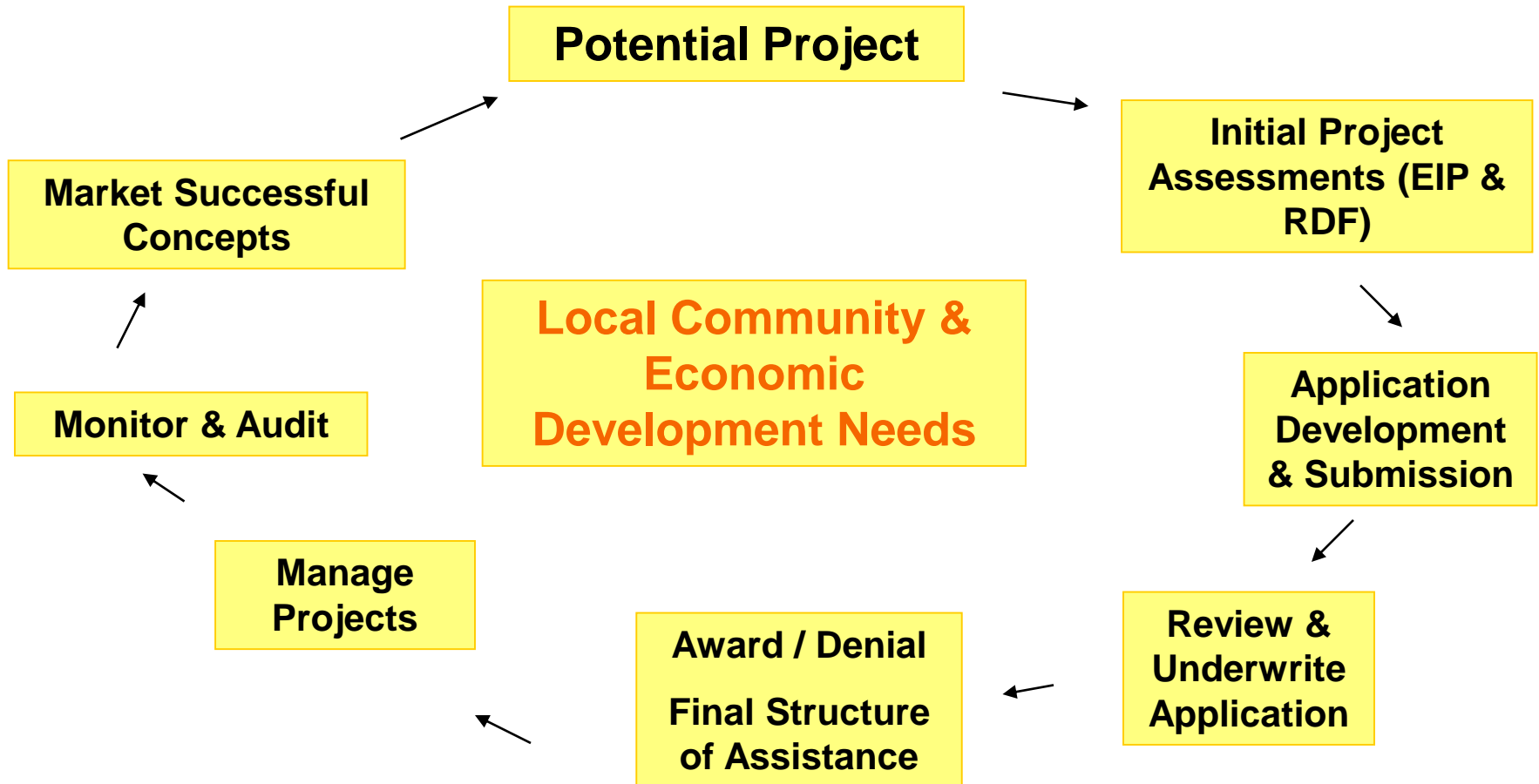
<b>Maximum Grant Amount</b>	<b>\$750,000</b>
<b>Primary Purpose</b>	<b>EIP - Expand employment opportunities for L/M income people RDF – Eliminate Slum and Blight</b>
<b>Low/Moderate Income Benefit</b>	<b>At least 51% of jobs created and/or retained</b>
<b>Eligible Uses</b>	<b>Public facilities, infrastructure, business loans, elimination of Slum and Blight</b>

# Four Routes to ED with CDBG



1. Annual Competition CDBG-ED application
2. Employment Incentive Program
3. Redevelopment Fund Program
4. Local Revolving Loan Fund (generated by CDBG-ED, EIP or RDF loans)

# Organizational Processes



# What exactly is this IPA?



## Initial Project Assessment (DCA)

- The **Who**, **What**, **Why**, **When** and **Where** of a Project;
- Determines and Preserves Eligibility of activities and costs;
- Enables Pre-Agreement Cost Approval (PACA) which is especially important for federal funds;
- Ensures all available funding sources are considered; and
- Provides an idea how competitive your project might be.



# Process - What happens after I submit an IPA?



Initial Project  
Assessment EIP/RDF

PACA

Provides guidance  
for application  
development

Application  
Development

Application  
Submission and  
Completeness  
Check

## Completeness Letter

- Completeness letters help identify shortcomings in the application
- Since EIP and RDF funding is “threshold-based”, the completeness letter allows for Technical Assistance to get applications to funding range.

# Rating and Selection Criteria:

## □ EIP – 300 Point Threshold

### □ Demographics

- 90 maximum points\*\*
- Determined by County level Census Data

### □ Feasibility

- 110 maximum points
- 27.5 points per level

### □ Impact

- 110 maximum points
- 27.5 points per level

### □ Strategy

- 110 maximum points
- 27.5 points per level

### □ Match: 1:1 Ratio

## □ RDF – 375 Point Threshold

### □ Demographics

- 90 maximum points\*\*
- Determined by County level Census Data

### □ Feasibility

- 210 maximum points
- 52.5 points per level

### □ Strategy/Innovation

- 240 maximum points
- 60 points per level

### □ Leverage of Additional Resources

- 30 maximum points
- 10 points per level

**\*\* Demographic Scoring matches the same MOD change as the Regular Round**

# **EIP GRANT: PUBLIC INFRASTRUCTURE**

# EIP Grant Program

Eligible Activities	Ineligible Activities
<ul style="list-style-type: none"><li><input type="checkbox"/> Public Facilities</li><li><input type="checkbox"/> Public Infrastructure<ul style="list-style-type: none"><li><input type="checkbox"/> Acquisition, Construction, and/or Rehabilitation of:<ul style="list-style-type: none"><li><input type="checkbox"/> Water;</li><li><input type="checkbox"/> Sewer;</li><li><input type="checkbox"/> Roads;</li><li><input type="checkbox"/> Storm water drainage;</li><li><input type="checkbox"/> Rail Spurs;</li><li><input type="checkbox"/> Other.</li></ul></li></ul></li></ul>	<ul style="list-style-type: none"><li><input type="checkbox"/> Working Capital</li><li><input type="checkbox"/> Refinancing</li><li><input type="checkbox"/> Speculative Projects</li><li><input type="checkbox"/> Capacity Building</li><li><input type="checkbox"/> General Conduct of Government</li><li><input type="checkbox"/> Project Not Meeting Federal Guidelines</li><li><input type="checkbox"/> Using Federal Funds to relocate businesses (Piracy - There are Restrictions)</li></ul>

# ELP Infrastructure Grants



Financial Considerations Include an Assessment of:

- ▣ Infrastructure Fund Capacity Analysis (IFCA).
  - ▣ Examine financial capacity of local government
  - ▣ Calculate operating and coverage ratios
- ▣ Revolving Loan Fund Capacity.

# **EIP GRANT: LOAN TO PRIVATE FOR-PROFIT BUSINESS**

# EIP Direct Loan Program

Eligible Activities	Ineligible Activities
<ul style="list-style-type: none"><li><input type="checkbox"/> Acquisition of land and buildings</li><li><input type="checkbox"/> New construction</li><li><input type="checkbox"/> Renovation to existing buildings</li><li><input type="checkbox"/> Acquisition of M&amp;E</li><li><input type="checkbox"/> Limited soft costs*</li></ul> <p><i>* Costs directly related to the fixed asset expenditure. Examples include: architectural/engineering costs; installation costs for machinery; and financing costs for bank loans.</i></p>	<ul style="list-style-type: none"><li><input type="checkbox"/> Working capital</li><li><input type="checkbox"/> Capacity building</li><li><input type="checkbox"/> Refinancing</li><li><input type="checkbox"/> Inventory/receivable financing</li><li><input type="checkbox"/> Speculative real estate development</li><li><input type="checkbox"/> Relocation costs</li><li><input type="checkbox"/> Office equipment, small tools, supplies</li><li><input type="checkbox"/> General conduct of government</li></ul>

# ELP Direct Loan Program

## ❑ **Loan Terms**

- Up to 15 years for financed real property;
- Up to 7.5 years for financed personal property;
- The interest rate is fixed at or below market rates.

## ❑ **Security/Collateral**

- 1<sup>st</sup> or shared 1<sup>st</sup> priority mortgage and/or lien position on project costs/uses financed;
- Personal guaranties from owners (>20% ownership);
- Corporate guaranties from related companies.

## ❑ **Repayment**

- ELP Loan repayments must capitalize or be placed into a local Revolving Loan Fund (RLF).



# ELP Loan Disbursement



## □ Loan Disbursement

- Disbursement agreement included in the EIP loan agreement.
- The Borrower's other public and/or private financing will be disbursed on a pro-rata basis with the EIP loan proceeds.

# REDEVELOPMENT FUND PROGRAM (RDF)



# Overview of the RDF Program

Encourage communities with blighted properties to focus on long-term community development.

Projects must demonstrate the following:

- ❑ Resolution of Spot/Area Basis Blight;
- ❑ Long-term planning and development efforts of the community;
- ❑ Significant impact on the overall project;
- ❑ Strong community commitment;
- ❑ Ready to Proceed; and
- ❑ Completed within 24 months.

# Elimination of Slum and Blight

## “Spot Basis” vs “Area Basis”

### □ Spot Basis

- Spot basis activities are limited to the extent necessary to eliminate specific conditions detrimental to the public health and safety.

### □ Area Basis

- Area basis activities are delineated by a unit of local government, meets a definition of a blighted, deteriorated, deteriorating, or slum area under State or Local law.

# CDBG ED Applications

## ✓ Engage Pertinent Partners:

- ☐ Local Government
- ☐ Development Authority
- ☐ Engineer/Architect
- ☐ Business Contact
- ☐ Grant Writer/Administrator
- ☐ DCA Community Services Representative
- ☐ Other federal/state programs
- ☐ Owner
- ☐ Railroad (if applicable)
- ☐ Operator (if applicable)
- ☐ Tenant (if applicable)

# LOCAL REVOLVING LOAN FUND (RLF)

# Local Revolving Loan Funds

- ❑ EIP/RDF loan repayments capitalize local RLF loan. The repayments (including interest), and bank account interest retain federal identity. This is considered program income.
- ❑ RLFs may be used for local CDBG eligible economic development needs.
- ❑ Opportunities available to partner with local banks to finance eligible activities (same as EIP) that create employment for LMI persons.
- ❑ 50/40/10 Rule: Project funded with 50% RLF, 40% local bank, and 10% private funding.

# Local Revolving Loan Funds

- ❑ **63 active RLF's throughout Georgia, with:**
  - ❑ \$34.3 million in RLF assets;
  - ❑ \$12.8 million in cash; and
  - ❑ \$22.1 million in loan receivables.
  
- ❑ **Encourage Local RLF's to use RLF funds as a funding gap for large projects – may request one-time waiver to DCA, if necessary.**



# What's We are Seeing

- ❑ **Lack of sufficient documentation**
  - ❑ **Company/Personal Financial Information**
  - ❑ **Source of committed funds (where is the money actually coming from – Company Equity, Loan, Etc.**
  - ❑ **Insufficient PER/PAR**
  - ❑ **Insufficient evidence of Slum and Blight**
- ❑ **Failure to disclose potential difficulties**
  - ❑ **Conflicts of Interest**
  - ❑ **Acquisition/Relocation**
  - ❑ **Environmental Concerns**
- ❑ **Deficiencies in Administration**
  - ❑ **Davis-Bacon: Surveys, Interviews, Wage Rates**
  - ❑ **Lack of communication between engineers, administrators, and the community**

# On the Horizon

## □ Potential MOD Updates for Set-Asides

- Taking a look at the successes and deficiencies in attaining the goals of the programs.
- Bring the scoring more “in-line” with annual competition.
- Timeline for potential update not yet determined.
- Would include both RDF and EIP updates.

# CONTACTS

# Program Manager Contacts:



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